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SURREBUTTAL DIRECT TESTIMONY OF
BRIAN W. COUGHLAN
ON BEHALF OF
TIME WARNER CABLE, INC.
DOCKET NO. 2012-218-E

Q. Please state your name, business address, and current position.

A. My name is Brian W. Coughlan. I am the President, founder and owner of Utility Management Services, Inc. (UMS). My address and contact information is:

Utility Management Services, Inc.
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Q. Are you the same Brian Coughlan that previously submitted direct testimony in this proceeding?

A. Yes.

Q. What is the purpose in the surrebuttal testimony that you are presenting today?

A. To respond to the rebuttal testimony of SCE&G witness John R. Hendrix.

1 **Q. Do you agree with the testimony of Mr. Hendrix on page 2 of his rebuttal**
2 **testimony “The rates are cost-based, and the costs on which the rates are**
3 **based have been properly allocated to the appropriate class via a cost of**
4 **service study?”**

5 Q. I respectfully disagree. No cost of service study for CATV power supplies
6 has been created or provided by SCE&G. This information was requested by
7 Time Warner Cable, Inc. in our discovery request. SCE&G responded that such
8 a study was not available even though this could be easily accomplished using the
9 customer accounts currently on the Experimental Uniform Load Provision
10 (EULP) under their Rate 16.

11 Under current rate design, SCE&G has included CATV power supplies in
12 the cost of service studies for other small general service customers. This
13 method disregards the fact that the work and cost involved in serving a CATV
14 power supply is very significantly less than the work and cost involved in serving
15 the vast majority of all other small general service customers.

16 The lower costs associated with serving CATV power supplies make it
17 inappropriate to charge them based on the much higher costs of serving the
18 typical customer in the small general service class of customers. As we will
19 demonstrate throughout this surrebuttal testimony many other investor owned
20 utilities already acknowledge in their rates that CATV power supplies cost less to
21 serve than other customers in the small general service class of customers.

22 SCE&G has already acknowledged that CATV power supplies have
23 different operating characteristics and that it is appropriate to charge them in a

1 different manner than other small general service customers. They did this by
2 creating the Experimental Uniform Load Provision under their Rate 16. When
3 that provision was created under Commission Order No. 2011-358, a cost of
4 service study for CATV power supplies had not been created for CATV power
5 supplies. Therefore, the EULP did not accurately include the actual costs of
6 serving a CATV power supply in the fixed cost/kWh that was created in the
7 EULP. A cost of service study should be created verifying the actual costs to
8 serve CATV power supplies and establishing appropriate pricing to ensure
9 appropriate cost allocation and to ensure that these customers no longer subsidize
10 the customers in the small general service class.

11 **Q. Do you with agree with Mr. Hendrix when he states on Page 2, Lines 14 to 16**
12 **that “TWC’s request in this proceeding is to be treated differently from all**
13 **other customers within the small general service class because their service**
14 **characteristics are different than other customers with the class?”**

15 A. Yes. The cost to serve a CATV power supply is significantly less than the
16 cost to serve other customers in the small general service class. It is appropriate
17 that these customers be charged a rate that is consistent with the cost of serving
18 them.

19 Throughout my career, I have been involved in providing service to or
20 managing the receiving of service for CATV power supplies. In the first 15 years
21 of my career, I worked in various distribution engineering and management
22 positions. I managed hundreds of engineers, engineering technicians, right-of-
23 way procurement agents, service technicians, linemen, contract right-of-way

1 clearing crews and contract right-of-way maintenance crews. These individuals
2 were responsible providing service to hundreds of thousands of customers
3 including tens of thousands of CATV power supplies. It is apparent to anyone
4 that works with CATV power supplies that the costs to serve CATV power
5 supplies are much lower than the costs to serve other small general service
6 customers for a variety of reasons that were described in detail in my direct
7 testimony and will not be repeated here.

8 For the second 15 years of my career, I have managed the billing and
9 accounting on behalf of CATV companies for tens of thousands of CATV power
10 supply accounts served by a variety of power companies in multiple states.
11 There are many reasons why it is less expensive to provide billing and ongoing
12 customer service for CATV power supplies. These were also described in my
13 direct testimony and will not be repeated here.

14 Most power companies acknowledge that CATV power supplies cost less
15 to serve and should be charged accordingly. SCE&G is behind the rest of the
16 industry in that regard. Examples of the pricing being offered by a variety of
17 other investor owned utilities in the southeast were provided in my direct
18 testimony.

19 SCE&G has acknowledged that CATV power supplies are different and
20 has in fact structured the way it bills Rate 16 differently as a result of CATVs'
21 unique operating characteristics. However, the pricing being used is currently
22 revenue neutral with Rate 16 customers and does not reflect the actual cost to

1 serve these devices. Therefore, these devices are being unfairly billed and are
2 subsidizing other customers.

3 **Q. Do you agree with the statement of Mr. Hendrix on page 2, lines 16 to 19 that**
4 **says “The practical effect of TWC’s request would be to reduce the rate it**
5 **pays and thereby shift costs to the other remaining customers within the**
6 **small general service class?”**

7 A. Technically, this is a true statement. CATV power supplies in the SCE&G
8 territory are presently subsidizing other small general service customers. If the
9 changes being requested by TWC are made, the subsidization will stop. The
10 magnitude of the impact on other customers is very small. As stated in my direct
11 testimony, when Duke Energy made this change to their rates last year, they
12 testified that the impact on other customers on that rate was less than 0.25%.

13 **Q. Do you agree with the testimony of Mr. Hendrix starting on line 20 of page**
14 **20 and continuing through line 12 of page 4?**

15 A. I respectfully disagree. Mr. Hendrix is arguing that it would not be fair to
16 create a special rate for a group of customers based on the cost of serving those
17 customers. Mr. Hendrix also states that “Such a policy would become patently
18 unfair and create winners and losers within a rate class.” If it is unfair to have
19 winners and losers within a rate class, then the existing rates are clearly unfair as
20 they do not account for the much lower costs to serve a CATV power supply
21 compared to the costs of serving the typical small general service customer.

22 A basic principle of rate design is that each class or group of customers
23 should be charged at a level that is commensurate with the cost of serving that

1 class or group. SCE&G follows this principle and already allocates costs to
2 various sizes, types and classes of customers within their 29 different rates and 8
3 riders. The rates and riders vary widely by customer class, size, type and usage
4 characteristics to reflect the varying costs that the customer or group of customers
5 impose on SCE&G.

6 SCE&G has created separate rates for various types of residential
7 customers as well as municipal customers, schools, churches, irrigation service,
8 farm service, temporary construction service, street lighting, area lighting, and
9 various types and sizes of commercial and industrial accounts. Establishing a
10 rate that reflects the actual cost of serving CATV power supplies would be
11 consistent with what SCE&G is already doing with many other groups of
12 customers. The reluctance of SCE&G to price service to CATV power supplies
13 in a manner consistent with the costs of serving these devices is puzzling given
14 that they already establish different pricing for many different sizes and types of
15 customers based on the cost of serving those customers.

16 **Q. Do you agree with the testimony of Mr. Hendrix on page 5, lines 12 to 14?**

17 A. I respectfully disagree. Mr. Hendrix claims that “SCE&G is not realizing
18 any “savings” from not having to install a sophisticated digital electronic meter
19 with time-of-use metering capabilities at the CATV Power Supplies.” When
20 SCE&G created the EULP provision to their Rate 16, they did it because they
21 desired to avoid purchasing and installing more expensive time-of-use recording
22 meters for hundreds of CATV power supplies. They realized that these devices
23 operate at the same load level at all times. Therefore, they were able to determine

1 what the average cost/kWh from their existing rate would be for a CATV power
2 supply. They created that flat cost and used that cost to eliminate the need for a
3 time-of-use demand recording meter at all of these installations. ALL other
4 customers served under Rate 16 require the installation of a time-of-use recording
5 meter. Charging CATV power supplies the same Basic Facilities Charge when
6 they require less sophisticated and less costly metering is unfair and results in
7 CATV power supplies subsidizing other customers on the rate.

8 **Q. Do you agree with the testimony from Mr. Hendrix on pages 7 and 8 of his**
9 **rebuttal testimony concerning our assertions that CATV power supplies are**
10 **paying more per kWh than the average commercial or industrial customer?**

11 A. I disagree. The purpose of the data provided on page 15 in my direct
12 testimony was to point out that SCE&G is charging CATV power supply
13 customers much more/kWh than they charge the rest of their commercial and
14 industrial customers as a whole while the other power providers shown in the
15 table charge CATV power supply customers much less per kWh than they charge
16 their other commercial and/or industrial customers.

17 The source data for our table was the Federal Energy Regulatory
18 Commission Form 1 that was filed by SCE&G and other investor owned utilities.
19 We continue to stand by that data. The other power companies have
20 acknowledged that it costs less to serve a CATV power supply than it does to
21 serve other commercial and industrial customers and have set their prices
22 accordingly. SCE&G is charging more to serve a CATV power supply than it

1 charges other commercial and industrial customers even though the cost to serve
2 the CATV power supply is less than the cost to serve the other customers.

3 **Q. How should rates for CATV power supplies be changed in light of the fact**
4 **that SCE&G has not completed a cost study?**

5 A. As I stated in my direct testimony, we respectfully request that the South
6 Carolina Public Service Commission direct SCE&G to amend the EULP in Rate
7 16 to provide for the following:

- 8 • **Basic Facilities Charge - \$ 9.50/month**
- 9 • **Energy Charge - \$.0650/kWh**

10 Furthermore, the experimental provision should be in effect until new
11 rates go into effect as a result of SCE&G's next general rate case (anticipated in
12 two years). Information from the experimental period should be used to study the
13 cost justification and feasibility of an appropriate on-going provision for all low
14 use, high load factor non-residential loads, including cable television power
15 supplies. Such information should be the basis for a recommendation to be
16 included in the next general rate case application of SCE&G. The Company
17 should be directed to share the results of its study with interested parties, with the
18 intent that an on-going provision or separate rate for low use, high load factor
19 non-residential customers may be proposed in the next general rate case following
20 completion of the study.

21 **Q. Why should the South Carolina Public Service Commission consider**
22 **changing the rates for CATV power supplies in advance of an SCE&G cost**
23 **study?**

1 **A.** CATV power supply customers should be given immediate relief from the
2 many years of significant and unfair subsidization they have made to the small
3 general service customer class. Furthermore, I have presented data here and in
4 my direct testimony to show that the rates SCE&G proposes for CATV power
5 supplies are unfair and are not cost based. Other power companies have
6 acknowledged and incorporated this in their rates, and we are proposing the same
7 fair solution.

8 **Q. Does this conclude your surrebuttal testimony?**

9 **A.** Yes.